

Muhammadiyah Universitas – Surakarta
Decentralization Preparation in Central Java
(Kesiapan Desentralisasi di Jawa Tengah)

Decentralization Workshop II
Strengthening the University Capacity to Support Decentralization
(Lokakarya Kedua Untuk Meningkatkan Kesanggupan Universitas
Mendukung Desentralisasi)

Project 497-0357 / 104-000
Strategic Objective 1
ECG, USAID/Indonesia
Contract No. 497-C-00-98-00045-00

Center for Institutional Reform and the Informal Sector (IRIS)
University of Maryland at College Park

June 4 – 10, 2000

USAID-funded Partnership for Economic Growth (PEG Project).
The views expressed in this report are those of the author and not necessarily those of
USAID, the U.S. Government, or the Government of Indonesia.

DECENTRALIZATION PREPARATION IN CENTRAL JAVA

*M. Thoyibi**

Background

This study deals with the response of the local governments in Central Java to Law 22 and Law 25, particularly on the issue of fiscal decentralization. It aims at describing the preparation that different local governments in the province have made for decentralization implementation. There are 35 local governments in the province, consisting of 29 counties and 6 cities. This study gives focus only on 12 counties and 3 cities. The sampling technique is purposive, based on the variation of geographical characteristics and income per capita of each local government. The data collecting technique includes structured interview and documentation.

Among other defects of this study is that the resource persons consist mainly of the heads of BAPPEDA, despite their role as coordinators of development planning. Although they did not represent themselves as individuals, the data may have been varied if the informants had been different stakeholders in the area. Another defect of this study is that the data was taken before Act 25 of 2000, about the authority of central government and provincial government as autonomous regions, was issued. Consequently, they did not have any reference of the function assignment.

The issues explored in the structured interview fall into three groups. The first are those meant to explore how the local governments think about the function assignment determined by Law 22 in that what functions to be assigned to the central, provincial, and local governments. The second are those aiming at finding how the local governments think about the fiscal proportion as it is arranged in Law 25, in addition to finding whether the local governments have set up their expenditures and revenues and how to cope with the problem of revenue insufficiency. The third are those designed to identify the problems that the local governments encounter in implementing the decentralization.

Central Java

Central Java Province covers an area of 33,500.95 square kilometers, two thirds of which is dry land. The province consists of 8,466 villages (2,484 of which are poor ones) or 492 districts, which are grouped into 35 administration areas, namely 29 counties and 6 cities. The largest administration area is Cilacap County (2,138.51 square kilometers) while the narrowest is Tegal City (12.67 square kilometers). The administration areas are grouped into 10 development territories. Some territories consist only of one administration area, such as Development Territory V (Kebumen), VI (Banjarnegara), and IX (Blora), and some others vary from three to seven administration areas.

The population of province reaches 29,907,476 people in 1997. The most densely populated area is Surakarta City (11,798 per square kilometer) and the least is Blora County (440 per square kilometer). Nearly half of the people (43%) rely themselves on the agricultural sector, 17.93% from businesses, and the rest (12.87%) on services.

* Research Institution, Surakarta Muhammadiyah University, Central Java, Indonesia.

The routine revenue of the province reaches Rp 1,576,180,326,000 in 1998. The administration areas having high routine revenue include Semarang City (Rp 119,162,430,000), Banyumas County (Rp 72,356,168,000), Surakarta City (Rp 71,119,408,000), and Cilacap County (Rp 69,702,127,000). Among other administration areas having low routine revenue are Salatiga City (Rp 17, 896, 867,000), Magelang City (Rp 19, 430, 251,000), and Pekalongan City (Rp 20,622,933,000). The rest (medium) vary from 21 to 52 billion rupiah.

No	Local Governments	Width in Km ²	Population Number	Gross Regional Domestic Product
1	Kab. Wonosobo	964.07	688,488	654,768.61
2	Kab. Boyolali	2,075.98	857,207	1,194,870.55
3	Kab. Klaten	694.05	1,099,458	1,472,730.15
4	Kab. Sukoharjo	485.96	715,158	1,313,054.05
5	Kab. Wonogiri	1,921.44	973,752	918,400.97
6	Kab. Karanganyar	793.97	739,321	1,445,051.26
7	Kab. Sragen	999.89	841,846	929,702.52
8	Kab. Grobogan	2,011.25	1,200,850	968,404.58
9	Kab. Blora	1,623.47	789,376	789,470.64
10	Kab. Pati	1,710.68	1,087,414	1,260,161.22
11	Kab. Kudus	477.26	675,869	4,337,499.08
12	Kab. Brebes	1,676.84	1,652,088	1,511,373.15
13	Kota Surakarta	46.56	519,470	1,597,860.45
14	Kota Semarang	36.48	1,367,949	6,398,228.49
15	Kota Tegal	12.67	314,711	418,833.64

Function Assignment

Most of the local governments did not mind with the five functions (foreign politics, military, justice, monetary, and religion) that the central government took. There was a demand, however, for a clear-cut function of the military, namely between security and defense functions. One local government (Sukoharjo County) suggested that the central government be responsible for the defense while the local government for the security. The informant argued that the assignment of security function to the local government was based on the necessity of effective coordination and immediate action in coping with security problems.

Out of the 15 local governments interviewed, two of them (Grobogan County and Surakarta City) held the view that educational function, too, should be assigned to the central government. They argued that education required an established standard that all local governments should attempt to meet, despite the possibility of offering local curriculum. The function assignment to the central government was meant for quality control purposes so that any discrepancy between different administration areas in the country could be eliminated.

Apparently, the local governments in the province were not quite aware that letting the central government take some functions meant that the rest of the functions were left to their responsibility. The assumption was justified by the fact that local governments did not have any idea about the extent of the functions they should be

responsible for. They could not elaborate what domains of each function should be managed at the provincial level and those to be dealt with at the local level. One informant did not even read Law 22 and Law 25 yet until a few days prior to the interview.

Fiscal Proportion

The local governments could accept most items of the fiscal proportion as determined by Law 25 but there were a few points that some of the local governments wanted to have a better share. Among other items that some local governments proposed to be reviewed were **PBB** and **Dana Alokasi Umum**.

Law 25 determined that 10% of PBB was for the central government and the other 90% was for the local government. In practice, however, the local governments got only 64.80% because 16.2% went to the provincial government and another nine percent was for tax-collecting. Grobogan County proposed that the share for the provincial government be reduced down to 10%.

Some local governments highlighted the proportion of Dana Alokasi Umum and proposed three different formulas. Instead of 75:25, the local governments argued that it would be better if the ratio were 65:35, 60:40, or 50:50.

Expenditures and Revenues

Most of the local governments in the province have set up both their revenues and expenditures. Although the revenues and expenditures were prepared simultaneously, the perspective underlying was pretty much like spending money rather than meeting the needs. The expenditures actually underwent a process of coordination—*rakorbangdes* and *rakorbangda*—but the absence of thorough study leading to priority, the expenditures more represented a “shopping list” (a list of wishes) rather than a list of needs. If there was a priority list, the selection was conducted at BAPPEDA.

The comparison between the routine revenues and the total expenditures indicated that the local governments to a great deal extent depended themselves upon the transferred revenues from the central government (development revenues, loans). The routine revenues that the local governments collected from different sources were not sufficient (comprising 10% to 50%) to pay for their own routine expenditures. Among other local governments taken as the sample of this study, Surakarta City could provide the biggest proportion (51%) of the routine expenditures, followed by Semarang City (32%), Tegal City (21.91%), Pati County (16.93%), and Kudus County (15.55%). The least proportion was given by Blora County (9.15%), followed by Sukoharjo County (9.67%), Brebes County (10.45%), Sragen County (10.50%), and Grobogan County (10.55%).

No.	Local Governments	Routine Revenue of 1997	Dev. Revenue of 1997	Routine Rev. of 2000	Routine Expend. of 2000	%
1	Kab. Wonosobo	34,613,063	208,172	6,045,071	56,543,698	10.69
2	Kab. Boyolali	45,292,072	656,251	16,064,005	-*	
3	Kab. Klaten	57,905,427	0	-	-	

4	Kab. Sukoharjo	40,232,275	462,856	5,697,807	58,922,177	9.67
5	Kab. Wonogiri	54,153,988	0	9,080,413	84,698,265	10.72
6	Kab. Karanganyar	38,960,646	720,841	8,563,165	68,106,804	12.57
7	Kab. Sragen	46,120,911	900,000	7,330,050	69,809,762	10.50
8	Kab. Grobogan	47,206,874	747,630	7,689,460	72,865,036	10.55
9	Kab. Blora	40,432,881	545,848	6,689,751	73,084,012	9.15
10	Kab. Pati	52,432,171	833,252	13,380,905	79,021,749	16.93
11	Kab. Kudus	38,331,063	406,413	9,465,950	60,851,437	15.55
12	Kab. Brebes	49,904,825	0	8,504,026	81,333,202	10.45
13	Kota Surakarta	71,119,408	6,318,190	18,674,497	36,260,347	51.50
14	Kota Semarang	119,162,430	10,023,908	48,000,000	150,000,000*	32
15	Kota Tegal	21,582,769	2,582,962	6,586,771	30,017,785	21.94

In order to meet the difference between the revenues and expenditures, the local governments expected the transferred revenues from the central government. Some local governments also identified a variety of income sources, particularly service sectors, which could be pushed in the next fiscal years. Among other potentially-pushable sources were cleaning and health services as well as street lighting.

The local governments did not take direct overseas borrowings into consideration. They held the view that if borrowing were necessary, it should be managed by the central government.

Constraints

Most of the local governments remarked that they were ready to begin implementing decentralization. Some local governments admitted that they had problems in implementing decentralization but most of them could not name them. Consequently, they did not have ideas what they needed to cope with the problems. It was evident that when they said they were ready for decentralization, what they meant by "being ready" actually referred to "being obedient" to what the central government might impose rather than "being capable" of managing decentralization.

A few local governments, however, could identify the problems if they were to begin implementing decentralization immediately. Among other problems that they identified were resources, either financial, human, or property. Some local governments, for example, were wondering whether they should pay the salary of all state officials in the area. They did not have any idea how they could get money if they should be responsible for the salary. They estimated that they would have to be extraordinarily efficient and thus would have to reduce the number of state officials in the area.

Most of the local governments, however, did not really recognize the consequences of decentralization in terms of the emerging new demands for accountability and better public services. Discussions on the human resource quality, for example, frequently referred to the formal education and the requirement for certain positions in the bureaucracy rather effectiveness and professionalism in public services.

* The exact amount had been set up, but the document was not available because it was being processed for publication.

Conclusion

Despite the fact that Law 22 and Law 25 required further legal documents to make them more operational, it was evident that the local government apparatus have been accustomed to the top-down pattern of the past administration. They did not have the courage to take initiatives or propose a role that they could play best. The cities were apparently more prepared than the counties.

had Some local governments, particularly the Cities, had better preparation. It would take a considerable preparation for the local governments to be more independent because the apparatus needed a cultural shift from the old feudal fashion in order to accommodate the new demands.

The frequently heard expression "If we are supposed to implement decentralization" indicated that some local governments were not yet sure whether decentralization was a myth or reality.

Surakarta, June 3, 2000

Annex 1: Developmental Territories.

Developmental Territory I: Semarang City, Salatiga City, and the counties of Kendal, Semarang, Demak, and Grobogan.

Developmental Territory II: Pekalongan City, and the counties of Pekalongan, Pemalang, and Batang.

Developmental Territory III: Tegal City, and the counties of Tegal and Brebes.

Developmental Territory IV: the counties of Cilacap, Banyumas, and Purbalingga.

Developmental Territory V: Kebumen County.

Developmental Territory VI: Banjarnegara County.

Developmental Territory VII: Magelang City and the counties of Magelang, Temanggung, Wonosobo, and Purworejo.

Developmental Territory VIII: Surakarta City and the counties of Sukoharjo, Karanganyar, Sragen, Wonogiri, Boyolali, and Klaten.

Developmental Territory IX: Blora County.

Developmental Territory X: the counties of Kudus, Pati, Jepara, and Rembang